

Fairfax County Small Business Commission
Small Business News
By: Koorosh Cyrus Sobhani; Dranesville District
April 2015 Newsletter

Bill proposed in House of Delegates for creation of the Small Business Loan Guarantee Fund.

On January 15, 2015, in The Virginia House of Delegates, Del. Christopher T. Head (R-17th) proposed a bill that will create a small business loan guarantee fund for Virginia banks.

The stated purpose of this fund will be to provide interest rate write-downs, loan loss reserves and loan guarantees for up to 90% of the principal amount on all commercial loans or lines of credit made by any Virginia bank. The bill limits any such guarantees to \$200 million and states that their terms cannot exceed five years.

If this Small Business Loan Guarantee Fund is created, banks will be more likely to approve loans and lines of credit for Virginia small businesses. By the same token, Virginia's small businesses will benefit from the loans and lines of credit under the provisions of this bill.

<http://lis.virginia.gov/cgi-bin/legp604.exe?l151+sum+HB2213>

Bill referred to committee in U.S. Senate to amend the Small Business Investment Act of 1958.

On February 24, 2015, in the U.S. Senate, Sen. James E. Risch (R-ID) sponsored a bill to amend the Small Business Investment Act of 1958, and was referred to the Committee on Small Business and Entrepreneurship. The bill has bipartisan support as it was co-sponsored by Democratic Senators Ben Cardin (D-MD) and Jeanne Shaheen (D-NH)

This bill proposes to increase from \$225 million to \$350 million, the amount of leverage that can be made available by the Small Business Administration to two or more commonly controlled small businesses investment companies. This leverage cannot be extended to companies' whose assets are worth less than the value of their outstanding shares.

An increase in the amount of leverage that the Small Business Administration could extend to small business investment companies would provide a greater return to investors without the need to finance it by more acquiring more equity.

On the other hand, allowing the Small Business Administration to extend more leverage to small businesses will expose small businesses to more risk, should their leveraged investments fail.

The president and CEO of the National Small Business Association, Todd McCracken, has praised the bill, saying that, "more small business owners report a lack of financing is hindering their ability to finance increased sales or increase inventory to meet demand."

Further, the Small Business Investor Alliance estimates that if this bill becomes law small business investment companies will be able to expedite upwards of \$750 million a year in new small business investments.

<https://www.congress.gov/bill/114th-congress/senate-bill/552?q=%7B%22search%22%3A%5B%22small+business%22%5D%7D>

Disclaimer: The applicability and duration of these Acts, regulations and laws are subject to change, and may vary depending residential district. Please consult your legal representatives or local rules for the validity of these laws as set forth.